



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

July 20, 2016

CERTIFIED RETURN RECEIPT
7015 0640 0001 4528 8229

Nicholas Lott
American Gilsonite Company
29950 South Bonanza Highway
Bonanza, Utah 84008

Subject: Division Directive to Post Reclamation Surety and Consolidate the Cowboy Bandana (M/47/0013) and Bonanza (M/47/0010) Notices of Intention, American Gilsonite Company and Ziegler Chemical and Mineral Corporation, M/047/0010 and M/047/0013, Uintah County, Utah

Dear Mr. Lott:

On December 1, 2015, the Division of Oil, Gas and Mining (OGM) conditionally approved a transfer of the Notice of Intention to Commence Large Mining Operations (NOI) for the Cowboy Bandana mine (M/047/0013) from Ziegler Chemical and Mineral Corporation to American Gilsonite Company (AGC). This approval was conditioned on receipt of the full replacement reclamation surety for all the existing disturbance areas found within the Zeigler Cowboy Bandana permit.

Instead of posting the full replacement surety bond, AGC decided to reclaim a significant portion of the disturbance areas that were not needed for future use and therefore reduced the required reclamation surety. On July 6, 2016, OGM inspected the reclaimed areas and determined that the demolition and regrading work is complete. As a result, a new reclamation surety amount has been determined, which accounts for existing disturbance areas as well as the remaining vegetation reclamation liability on the newly-reclaimed sites. Please note that the Bureau of Land Management (BLM) holds a separate reclamation surety for all disturbances that are on BLM leases. However, OGM will enter into a Memorandum of Agreement with the BLM guaranteeing that funds will be held for reclamation. This will satisfy requirements of the Utah Mined Land Reclamation Act.

Remaining disturbance areas from the Cowboy Bandana NOI need to be incorporated into the Bonanza permit, M/047/0010 NOI, including maps, text, and an updated reclamation cost estimate.

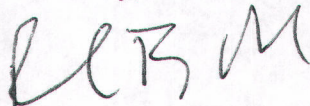


You are hereby directed to:

1. **Post an additional reclamation surety in the amount of \$248,174.00. This amount represents all remaining disturbance areas located on patented and School and Intuitional Trust Lands. Please provide the reclamation surety no later than August 20, 2016;**
2. **Incorporate information associated with permit M/47/0013 into the Bonanza NOI, M/47/0010, by no later than November 15, 2016.**

Upon final approval of these items, the Division will retire the file for the Cowboy Bandana NOI, M/047/0013. Please contact April Abate at 801-538-5214 or me at 801-538-5261 if you have questions regarding this conditional approval.

Sincerely,



Paul Baker
Minerals Program Manager

PBB:aa:pb

cc: Chip Ziegler, Ziegler Chemical and Mineral Corporation (chip@zieglerchemical.com)
Stan Perkes, BLM (sperkes@blm.gov)
Jerry Mansfield, SITLA (jmansfield@utah.gov)
P:\GROUPS\MINERALS\WPM047-Uintah\M0470013-Ziegler\Final\directive-07202016.doc